

The Gaia Foundation

Annual REPORT AND Financial Statements

31ST DECEMBER 2005

The Gaia Foundation

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Contents:

Statement of Responsibilities of Board of Administration	page	1
Report of Board of Administration		2
Report of the auditor		3
Income and Expenditure account		4
Balance Sheet		5
Statement of changes in accumulated fund		6
Cash flow statement		7
Accounting policies		8
Notes to the financial statements		9 - 10
Schedule of Administrative costs		11

The members of the Board of Administration of the Foundation are required to prepare financial statements, which give a true and fair view of the state of affairs of the Foundation at the end of each financial year and of the surplus or deficit for that period.

In preparing the financial statements, the Board of Administration of the Foundation are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- use comprehensive basis of accounting made clear in the financial statements.

The members of the Board of Administration of the Foundation are responsible for keeping proper accounting records, which disclose with reasonable accuracy the financial position of the Foundation. They are also responsible to ensure that an appropriate system of internal control is in operation to provide them with reasonable assurance that the assets of the Foundation are being properly safeguarded and that fraud and other irregularities will be prevented and detected.

The Board of Administration of the Foundation reports as follows for the activities held during the year ended 31 December 2005.

Principal Activity

The Gaia Foundation is an organization set up to promote and protect Malta's environment and promote sustainable living. It was set up to promote and implement ways through which human beings can interact meaningfully with their environment without denying future generations their right to do the same.

Results

Income

The results reflect the income generated from management fee agreements signed with the Ministry for Rural Affairs and the Environment, and income generated from various projects related to the principal activity. This is shown on page 4.

Expenditure

Expenditure for the year reflects the expenses to run the organization and the various projects in fulfillment with agreements reached with Malta Government Ministry. The results are shown on page 11 attached to the accounts.

Excess of Expenditure over income

The deficit for the year is shown on page 4.

The net deficit of Lm 5420 is being added to the restated accumulated favourable fund brought forward of Lm 7204 leaving an accumulated favourable balance at the end of the year of Lm 2084.

Members of the Board of Administration

The members of the board of administration who served during the year were:

Dr. Rudolf Ragonesi, Mr. David Marinelli and Mr. Adrian Mamo.

In accordance with the Statute, the present members are to remain in office.

AUDITOR

Benjamin Rizzo who has been appointed as of this year, has expressed his willingness to continue in office and a resolution proposing his reappointment and will be put before the members at the next Annual general meeting.

Approval of financial statements

These financial statements were approved by the Board of Administration of the Foundation and authorised for issue on the 21 March 2006 and signed on behalf of the Foundation by:

Signatures have been removed for security reasons

**Dr. Rudolf Ragonesi LL.D
Executive Director and Co Founder
21 March 2006**

Signatures have been removed for security reasons

**David Marinelli FCCA, MIA
Co founder and Board Member**

Benjamin Rizzo

*Certified Public Accountant, A.C.M.A., F.I.A.
Auditor and Management Consultant*

**REPORT OF THE AUDITOR
To the members of the The Gaia Foundation
For the year ended 31st December 2005**

Page 3

I have audited the financial statements of the Foundation on pages 4 to 10 or the period ended 31st December 2005 in accordance with International Standards on Auditing.

Respective responsibility of the Council of the Foundation

The Board of Administration of the Foundation is responsible for the preparation of financial statements. It is my responsibility to form an independent opinion, based on my audit, on those statements and to report my opinion to you.

Basis of opinion

I conducted my audit in accordance with International Standards on Auditing. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the accounts are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial presentation. I believe that my audit provides a reasonable basis for my opinion.

I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of my audit.

Comparative figures were not audited by me.

Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the company as of 31 December 2005 and of the results of its operations, changes in equity and cash flows for the year then ended and have been properly prepared in accordance with International Financial Reporting Standards.

Signatures have been removed for security reasons

**Benjamin Rizzo ACMA, FIA
Certified Public Accountant
37, Moses Gatt Street, B'kara**

10 March 2006

37, Moses Gatt Street, Birkirkara BKR 04, Malta
Tel: +356 2148 6826 Fax: +356 2144 9224 Mob: +356 9947 3752 email: benrizzo@waldonet.net.mt

The Gaia Foundation

Income and Expenditure Account

Page 4

For the year ended 31st December 2005

		<u>2005</u>	<u>2004</u>
	<i>Note</i>	LM	LM
Man. Fee Ghajn Tuffieha		10000	
Man Fee Ramla		10000	15000
Apollo Gaia Fest		2755	
Elysium plant sales		1634	
MIDAS shop		5105	3555
Hermes internship program		2044	
Dionysus Kiosk - operational agreement		5500	
Apollo Workshops		8235	
odyssius tours		1056	
Other contributions			10127
Donations received and sponsors			11456
Difference on exchange gain			143
Other income			6609
Over provision of accruals in previous year			188
		<u>46330</u>	<u>47078</u>
Expenditure	page 11	51450	46255
Deficit(surplus last year - as restated)	4	<u>-5120</u>	<u>823</u>

The Gaia Foundation
Balance Sheet
AS AT 31ST DECEMBER 2005

Page 5

	notes	<u>2005</u>	<u>2004</u>
		Lm	Lm
FIXED ASSETS			
Tangible assets	6	12343	14491
		<u>12343</u>	<u>14491</u>
CURRENT ASSETS			
Inventories	7	8591	7648
Debtors	8	20500	1638
Cash and bank balances		1524	12497
		<u>30615</u>	<u>21783</u>
CURRENT LIABILITIES			
amounts falling due within one year	9	<u>40874</u>	<u>29070</u>
NET CURRENT ASSETS			
		<u>-10259</u>	<u>-7287</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>2084</u>	<u>7204</u>
Accumulated fund			
as at 1 January - as restated		7204	6381
for year		<u>-5120</u>	<u>823</u>
as at 31 December		<u>2084</u>	<u>7204</u>

The financial statements on pages 4 to 10 were authorised for issue by the Board of Administration of the Gaia Foundation on the 21 March 2006 and were signed

on its behalf by:

Signatures
have been
removed for
security
reasons

Dr. R. Ragonesi
Executive Director

Signatures
have been
removed for
security
reasons

David Marinelli
Board Member

The Gaia Foundation
Statement of changes in accumulated
fund
year ended 31 December 2005

Page 6

	<u>Lm</u>
2004	
As at 1 January	-3941
restated after valuation of stock of trees	<u>10322</u>
as restated	6381
Surplus for the year	823
As at 31 December	<u>7204</u>
2005	
Deficit for the year	-5120
As at 31 December	<u><u>2084</u></u>

The Gaia Foundation

CASH FLOW STATEMENT

Page 7

Year ended 31st December 2005

	note	<u>2005</u> LM	<u>2004</u> LM
Cash flows from operating activities			
Deficit for year		-5120	823
Adjustment for			
Depreciation		5036	5463
		<u>-84</u>	<u>6286</u>
<i>Profit on operations before working</i>			
<i>capital movements</i>			
Increase in Debtors		-18862	11790
Increase in creditors		6341	-5712
Increase in inventories		-943	2743
		<u>-13548</u>	<u>15107</u>
Cash flows from operations			
Cash flow from investing activities			
Purchase of tangible assets		<u>-2888</u>	<u>-2745</u>
Movements in cash and cash equivalents		-16436	12362
Cash and cash equivalents			
At beginning of year		<u>12266</u>	<u>-97</u>
Cash and cash equivalents			
At end of year	10	-4170	12266

1. Basis of preparation

These accounts have been prepared in accordance with the requirements of the International Financial Reporting Standards. The financial statements have been prepared under the historic cost convention

A summary of the more important accounting policies, which have been applied consistently, is set out below:

2. Significant accounting policies

Tangible fixed assets

The accounting policy on the depreciation of the Foundation's tangible fixed assets is worked on the straight line method. This method is based on to write off the values of assets in equal annual installments over the remaining useful lives of the assets at the following rates:

Building	1 percent
Computer Equipment	33.3 percent
Equipment and fittings	15 percent
Motor Vessel and vehicles	20 percent

Financial Instruments

Financial assets and financial liabilities are recognised on the Foundation's balance sheet when the Foundation has become a party to the contractual provisions of the instruments.

Debtors

Debtors are stated at their nominal value as reduced for appropriate allowances for estimated irrecoverable amounts.

Creditors

Creditors are stated at their nominal value.

Impairment

At the balance sheet date, the company reviews the carrying amount of its assets by assessing the greater of their net selling price or value in use in order to determine whether those assets have suffered an impairment loss. Impairment losses are immediately recognized as an expense in the profit and loss account. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that it does not exceed its original carrying value before the impairment loss was recognized

Cash and Cash equivalents

Cash and Cash equivalents comprise cash in hand and deposits repayable on demand less advances from banks repayable with three months of the date of the advance.

3. Revenue Recognition

Revenues earned by the Foundation are recognised on the following basis:
Income from Management fees on accrual basis as per agreements signed.
All other income accounted for as and when received.

4. Deficit for the year

Deficit is stated after charging:

	<u>2005</u>	<u>2004</u>
	Lm	Lm
Auditor's fee	<u>177</u>	<u>212</u>
Depreciation	<u>5036</u>	<u>5463</u>
Executive Director	<u>6254</u>	<u>6262</u>

5. Taxation

The Gaia foundation has been exempted from the payment of Income Tax by the Minister of Finance and Commerce on the 16 April 1997.

6. Tangible Fixed assets

Cost	01.01.05	additions	31.12.05
Building	5105	0	5105
Computer equipment	2059	433	2492
Equipment and fittings	21486	255	21741
Motor vessel and vehicles	<u>8086</u>	<u>2200</u>	<u>10286</u>
Total cost	<u>37636</u>	<u>2888</u>	<u>39624</u>
Depreciation to date			
Building	153	51	204
Computer equipment	2059	144	2203
Equipment and fittings	14876	3224	18100
Motor vessel and vehicles	<u>5157</u>	<u>1617</u>	<u>6774</u>
Total depreciation to date	<u>22245</u>	<u>5036</u>	<u>27281</u>
Net book value	<u>14491</u>		<u>12343</u>

Computer equipment assets worth Lm 2059 have been fully depreciated.

7. Inventories

	<u>2005</u>	<u>2004</u>
	Lm	Lm
Stock of saleable goods	<u>8591</u>	<u>7648</u>

This year the stock of trees and shrubs ready for resale have been included in this figure. The comparative figures have also been restated to include the amounts of stock held in hand for resale.

8. Debtors

	<u>2005</u>	<u>2004</u>
	LM	Lm
Amounts due as per agreements	<u>20500</u>	<u>1638</u>

9. Creditors: amounts falling due within one year

	<u>2005</u>	<u>2004</u>
	Lm	LM
Trade Creditors	4100	4433
Bank balance overdrawn	5694	231
CIR – FSS and SSC	26131	23983
Executive Director loan	2000	0
Accruals	<u>2949</u>	<u>423</u>
	<u>40874</u>	<u>29070</u>

10. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits payable on demand. Cash and cash equivalents included in the cash flow comprise the following balance sheet amounts:

	<u>2005</u>	<u>2004</u>
	Lm	LM
Bank overdraft and Cash balances	<u>4170</u>	<u>12266</u>

11. Financial instruments

Fair values

Financial assets of the company include cash classified as current assets in the balance sheet, as well as debtors. Financial liabilities of the company include, loans, borrowings and creditors. The accounting policies for these assets and liabilities are set out in note 2 in the financial statements and those policies are directed towards the establishment of fair values for those assets and liabilities.

At 31 December 2005 the carrying amounts of creditors, debtors, and short term borrowings approximated their fair value due to the short term maturities of these assets and liabilities. The fair values of long term borrowings are not materially different from their carrying amounts.

12. Contingent liabilities

At 31 December 2005 there existed a contingent liabilities for an amount to be agreed upon for additional tax due to the Commissioner of Inland Revenue for outstanding amounts due for NIC and FSS.

13. Prior year figures.

The comparative figures have been restated to conform with this year's presentation.

The Gaia Foundation

Expenditure

Page 11

For the year ended 31st December 2005

	2005		2004	
	Lm details	Lm subtotal	Lm details	Lm subtotal
Apollo Project				
Festival expenses	1622		643	
visitor centre	956			
Workshop expenses	1312	3890	1901	2544
Elysium - habitat restoration				
Nursery & Consumables	1326		534	
Revegetation & Tree Planting	619		2465	
Water & Electricity	1240		2072	
Stock of trees - variation last year this year	-308	2877	3158	8229
Elysium Olympus				
Fuel and transport	948		438	
Licences & Permits	250		714	
Vehicle Repairs	516	1714	103	1255
Olympus - coastal conservation				
Security expenses & Police	140		333	
Site Maintenance	1220			
Repairs & Maintenance	984		1459	
Aerial photography and surveys	89	2433		1792
Hermes - dissemination of information				
Promotions	373		447	
Internship program	3472		2816	
Productions & Publications	731			
Telecommunications	523		1593	
Networking	491	5590	191	5047
Midas - shop				
Shop expenses	2712			
Organic Project	775	3487	242	242
Total direct cost projects	19991	19991	19109	19109
Administration Expenses				
Accountancy Fees	346		588	
Audit Fees	150		212	
Bank Interest & Charges	51		100	
computer expenses	904		0	
Depreciation	5036		5463	
Donations Project Chiron	143		0	
Insurance	686		0	
Office equipment maintenance	636		456	
Subscriptions	45		20	
Professional fees	0		508	
		7999		7347
Salaries				
Managers Salary	6254		6262	
SSC foundation's share	1994		1679	
Wages & Salaries	15212	23460	11858	19799
	31458	31458		
Total Costs	51450	51450	46255	46255

